

Financial Health of Community-Based Development Organizations

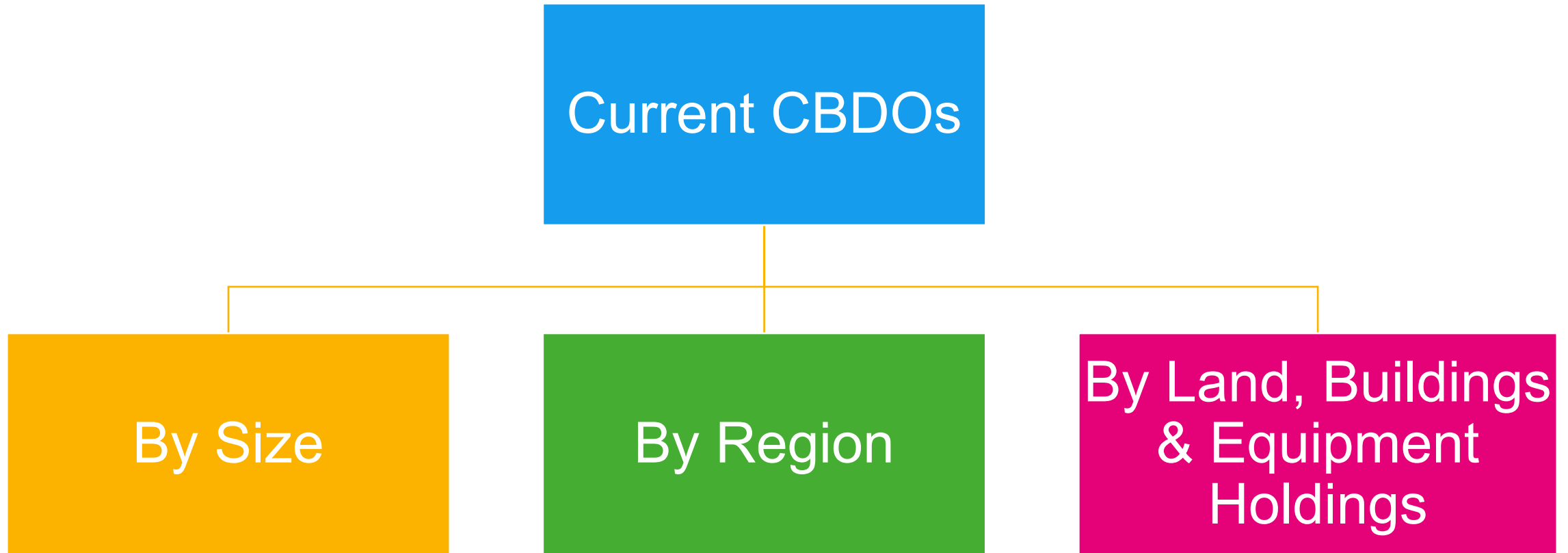
September 15, 2022

Research Process Overview

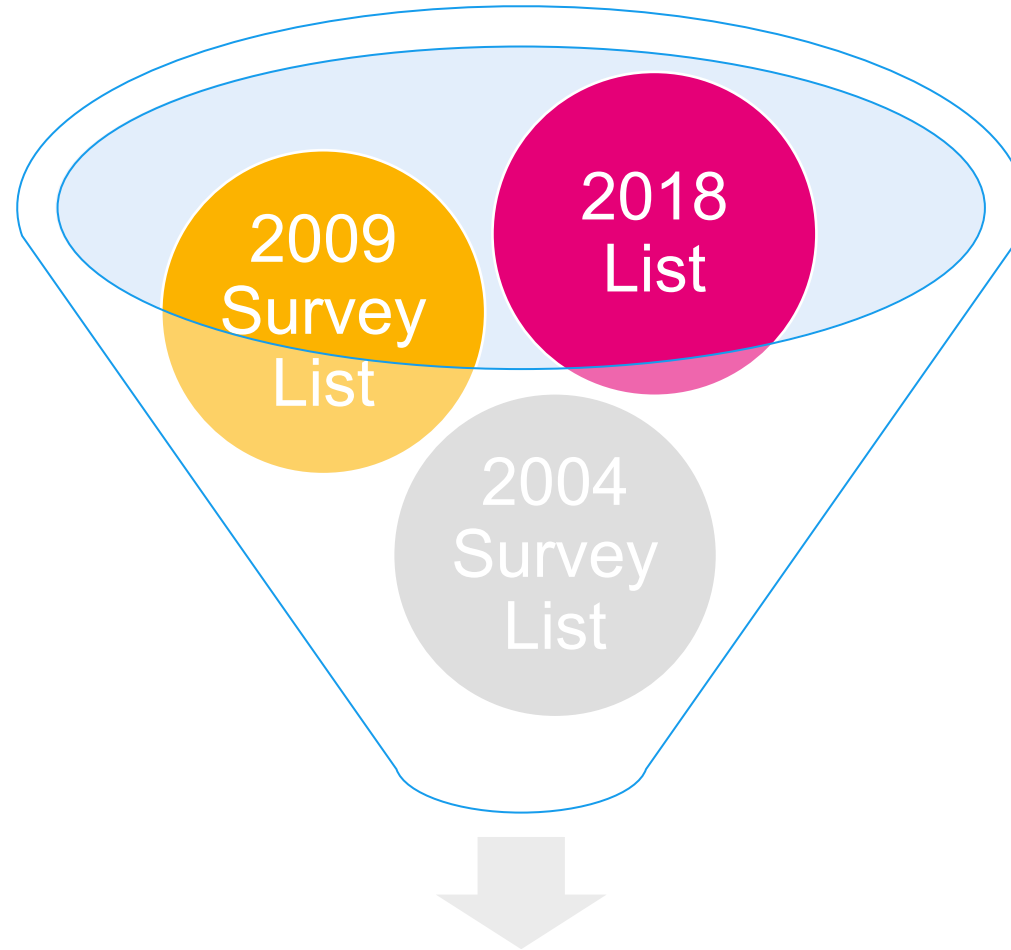
Identifying CBDOs



Analyzing current financial health (2018)



Analyzing financial health over time (2001-2019)



Panel of CBDOs

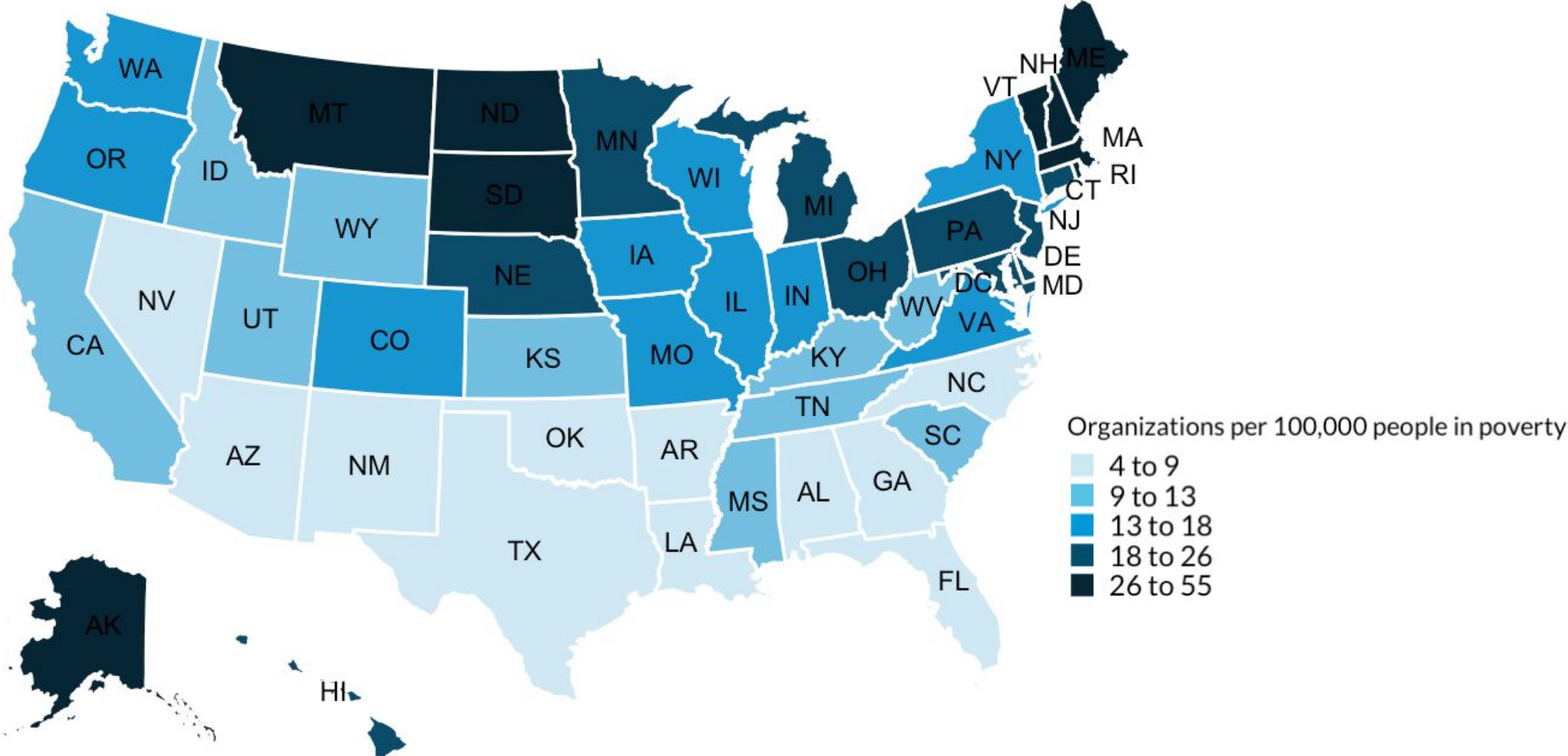
Key Findings

Summary of Key Findings

- **Over time:** The CBDDO sector has grown steadily
- **By size:** Large CBDDOs (by expenses) hold most of the sector's resources; small CBDDOs are in a more precarious financial position
- **By region:** Western CBDDOs are larger, more financially robust; Southern CBDDOs have cash on hand but fewer leveraged assets
- **By real estate holdings:** CBDDOs with a high share of assets in real estate are more leveraged & face insolvency but have more stable cash flow than CBDDOs with a low share

Basic Sector Characteristics – Today and Over Time

Number of CBDOs per 100,000 people below poverty



Sector characteristics today (2018)

Experience

Average age: 28.4 years

Average no. of staff: 41

Funding Flows

Total revenues: \$27.7 billion

Total expenses: \$23.8 billion

Leverage & Liquidity

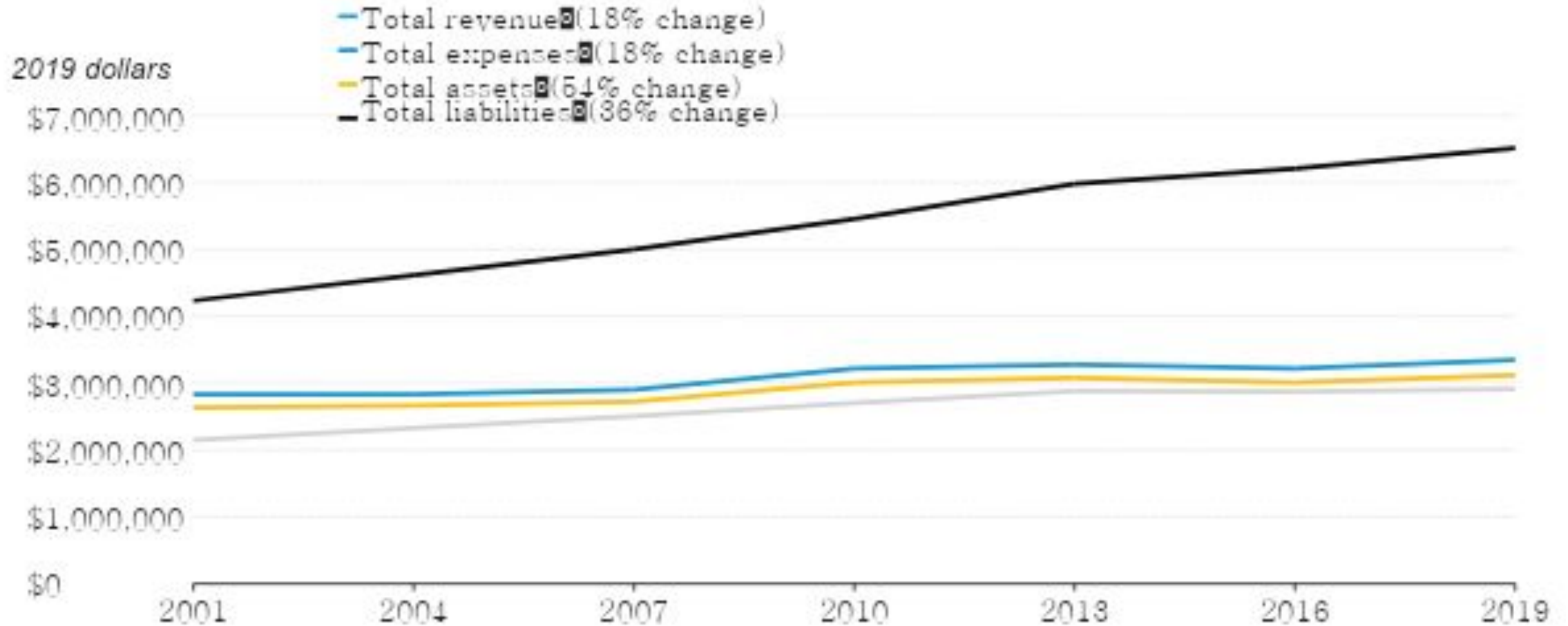
Total assets: \$54.3 billion

Total liabilities: \$27.5 billion

Sector characteristics over time (2001-2019)

Funding Flows

Leverage & Liquidity



Differences by Organizational Size, 2018

Defining CBDO size quartiles



Quartiles based on 2018 expenses
1,430 CBDOs in each size quartile

- **Small:** \$0 to \$266,549
- **Mid-small:** \$266,581 to \$854,080
- **Mid-large:** \$854,515 to \$3,329,914
- **Large:** \$3,330,877 to \$479,000,000

Average CBDO characteristics by size, 2018

	Experience		Funding Flows		Leverage & Liquidity	
	Age (average)	Number of Staff (average)	Revenues (average)	Expenses (average)	Assets (average)	Liabilities (average)
Small	20.2	1.2	\$154,237	\$117,639	\$1,318,947	\$511,348
Mid-small	24.6	4.8	\$600,542	\$517,087	\$2,804,549	\$1,489,985
Mid-large	29.6	21.2	\$1,979,779	\$1,744,154	\$6,550,613	\$2,954,893
Large	37.9	131.8	\$10,400,000	\$9,923,133	\$16,800,000	\$7,138,884



Large CBDOs compared to small CBDOs

Funding Flows

More donation income

Less months of cash on hand

Fewer have sudden drops in revenues/expenses

Leverage & Liquidity

Higher assets

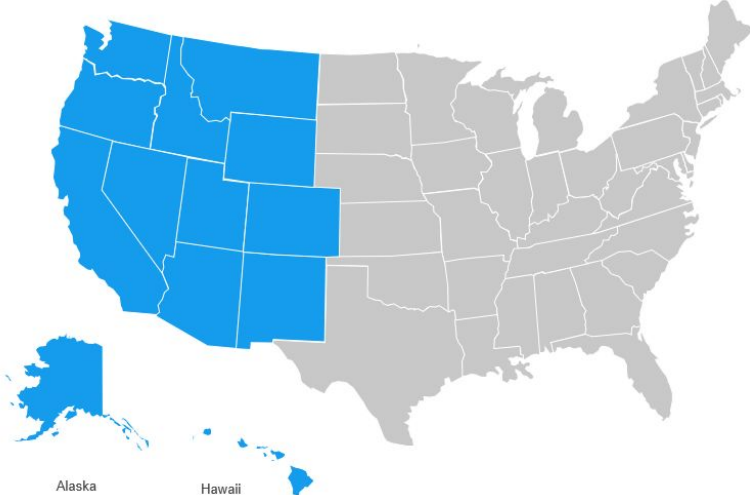
Higher level of debt

Lower insolvency rate

Differences by Region, 2018

Defining Census regions

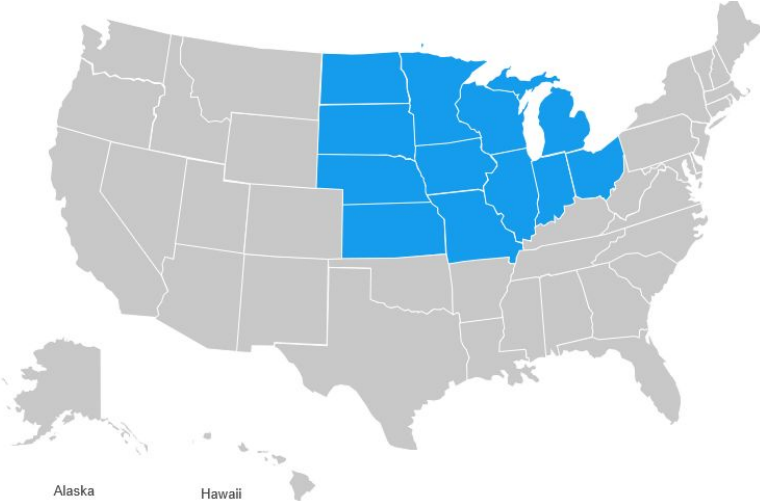
West
1,105 CBDOs



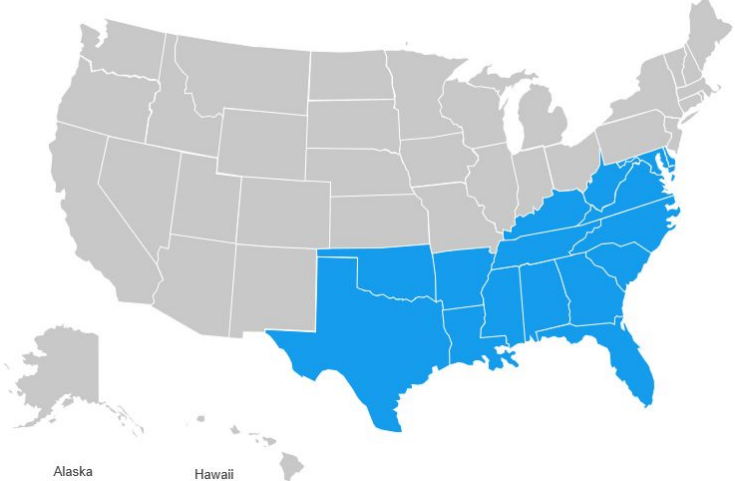
Northeast
1,396 CBDOs



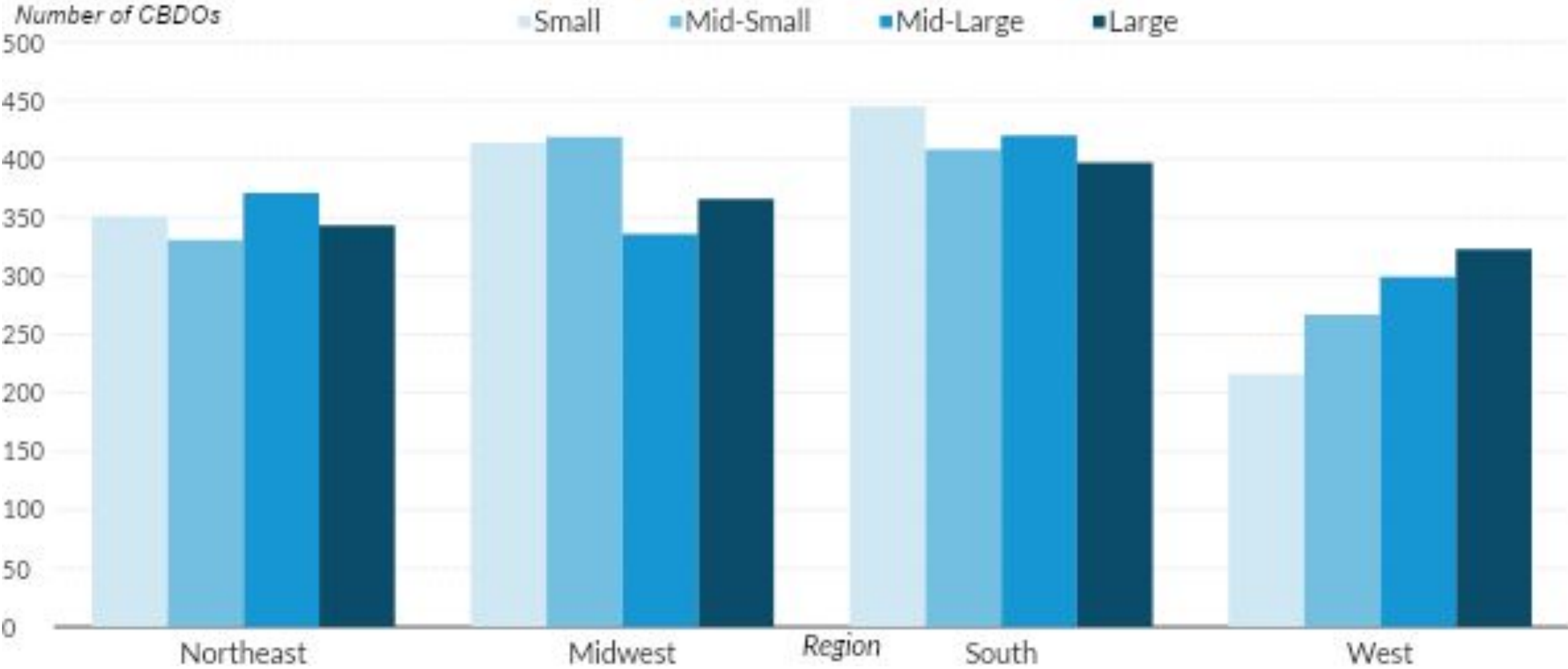
Midwest
1,535 CBDOs



South
1,670 CBDOs



Regional differences often reflect size of CBDOs in region



Average CBD0 characteristics by region, 2018

	Experience		Funding Flows		Leverage & Liquidity	
	Age (average)	Number of Staff (average)	Revenues (average)	Expenses (average)	Assets (average)	Liabilities (average)
Midwest	29.64	41.8	\$3,023,471	\$2,831,834	\$5,512,291	\$2,191,666
Northeast	29.83	41.8	\$3,356,161	\$3,172,642	\$7,004,303	\$3,128,180
South	27.05	38.1	\$3,000,669	\$2,855,139	\$5,834,475	\$2,413,387
West	26.86	44.7	\$3,970,307	\$3,648,889	\$10,183,482	\$4,676,183

Notable regional differences

Funding Flows

West & Northeast rely more on earned income

Midwest & South rely more on donations & struggle with cash on hand

Leverage & Liquidity

West is more highly leveraged

Midwest struggles more with short-term liquidity

Differences by Land, Buildings, and Equipment Holdings, 2018

Defining CBDOs by land, buildings, and equipment holdings



Share of total 2018 assets in land, buildings, & equipment

Median value for each organizational size group

Two equal groups of 2,860 CBDOs, splitting at median

- **Low share:** all CBDOs that fall below the median share for their size group. The group averages 10% of their total assets in land, building, and equipment holdings.
- **High share:** all CBDOs that fall above the median share for their size group. The group averages 73% of their total assets in land, building, and equipment holdings.

High share CBDOs compared to low share CBDOs

Funding Flows

Tighter operating margins & less cash on hand

Higher earned income & steadier revenues & expenses

Leverage & Liquidity

Hold more debt & have less liquidity

1 out of 5 were insolvent in 2018

Sustaining and Growing the Sector's Financial Health

Expanding CBDO capacity

It will take effort to ensure existing supports for CBDOs are targeted to address risks and vulnerabilities, and explore any needed changes or expansions

- **Funders:** Take a close look at the current realities and trends in CBDO financial health and ask themselves where they can help fill gaps for CBDOs at risk.
- **Technical assistance providers:** Tap existing training and technical assistance programs to address specific financial challenges.

Filling knowledge gaps

This study answers some questions, but additional research could fill additional gaps, including:

- Putting CBDO work in clearer context **geographically** to see concentrations and coverage gaps
- Understanding **CBDO primary activities** and effects on financial health
- Expanding **interpretations** and findings through qualitative research

The Grounding Values Study

<https://www.urban.org/projects/grounding-values-cbdos>